

SENATE BILL No. 478

DIGEST OF INTRODUCED BILL

Citations Affected: IC 4-10-18.

Synopsis: Rainy day fund formula. Requires the budget director to determine the state's quarterly adjusted personal income and quarterly growth rate for each state fiscal quarter. Provides that any appropriations from the rainy day fund to the state general fund shall be determined on a quarterly basis. Provides that if the growth rate for the current state fiscal quarter is: (1) less than the growth rate for the immediately preceding quarter but is not a negative growth rate, the amount appropriated from the rainy day fund to the state general fund is 5% of the total state general fund revenues for the current quarter; (2) less than the growth rate for the immediately preceding quarter and is a negative growth rate, the amount appropriated from the rainy day fund to the state general fund is 15% of the total state general fund revenues for the current quarter; or (3) greater than or equal to the growth rate for the immediately preceding quarter, the amount appropriated from the rainy day fund to the state general fund is equal to zero. Increases the amount of the balance in the rainy day fund at the end of a state fiscal year that is needed to trigger an appropriation from the rainy day fund to the property tax replacement fund from 7% to 14% of the total state general fund revenues for the fiscal year.

Effective: July 1, 2002.

Johnson

January 14, 2002, read first time and referred to Committee on Finance.



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Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

SENATE BILL No. 478

A BILL FOR AN ACT to amend the Indiana Code concerning state offices and administration.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 4-10-18-1 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. As used in this
3 chapter:

4 **"Annual** adjusted personal income" for a particular calendar year
5 means the adjusted state personal income for that year as determined
6 under section 3(b) of this chapter.

7 "Annual growth rate" for a particular calendar year means the
8 percentage change in adjusted personal income for the particular
9 calendar year as determined under section 3(c) of this chapter.

10 "Budget director" refers to the director of the budget agency
11 established under IC 4-12-1.

12 "Costs" means the cost of construction, equipment, land, property
13 rights (including leasehold interests), easements, franchises, leases,
14 financing charges, interest costs during and for a reasonable period
15 after construction, architectural, engineering, legal, and other
16 consulting or advisory services, plans, specifications, surveys, cost
17 estimates, and other costs or expenses necessary or incident to the



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1 acquisition, development, construction, financing, and operating of an
2 economic growth initiative.

3 "Current calendar year" means a calendar year during which ~~a~~ **any**
4 transfer to ~~or from~~ the fund is initially determined under sections ~~4~~ **4(a)**
5 and 5 of this chapter.

6 **"Current state fiscal quarter" means a state fiscal quarter**
7 **during which any transfer from the fund is initially determined**
8 **under sections 4(b) and 5 of this chapter.**

9 "Economic growth initiative" means:

10 (1) the construction, extension, or completion of sewerlines,
11 waterlines, streets, sidewalks, bridges, roads, highways, public
12 ways, and any other infrastructure improvements;

13 (2) the leasing or purchase of land and any site improvements to
14 land;

15 (3) the construction, leasing, or purchase of buildings or other
16 structures;

17 (4) the rehabilitation, renovation, or enlargement of buildings or
18 other structures;

19 (5) the leasing or purchase of machinery, equipment, or
20 furnishings; or

21 (6) the training or retraining of employees whose jobs will be
22 created or retained as a result of the initiative.

23 "Fund" means the counter-cyclical revenue and economic
24 stabilization fund established under this chapter.

25 "General fund revenue" means all general purpose tax revenue and
26 other unrestricted general purpose revenue of the state, including
27 federal revenue sharing monies, credited to the state general fund and
28 from which appropriations may be made. The term "general fund
29 revenue" does not include revenue held in the reserve for tuition
30 support under IC 4-12-1-12.

31 "Implicit price deflator for the gross national product" means the
32 implicit price deflator for the gross national product, or its closest
33 equivalent, which is available from the United States Bureau of
34 Economic Analysis.

35 "Political subdivision" has the meaning set forth in IC 36-1-2-13.

36 "Qualified economic growth initiative" means an economic growth
37 initiative that is:

38 (1) proposed by or on behalf of a political subdivision to promote
39 economic growth, including the creation or retention of jobs or
40 the infrastructure necessary to create or retain jobs;

41 (2) supported by a financing plan by or on behalf of the political
42 subdivision in an amount at least equal to the proposed amount of

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the grant under section 15 of this chapter; and
 (3) estimated to cost not less than twelve million five hundred
 thousand dollars (\$12,500,000).

**"Quarterly adjusted personal income" for a particular state
 fiscal quarter means the adjusted state personal income for that
 quarter as determined under section 3.5(b) of this chapter.**

**"Quarterly growth rate" for a particular state fiscal quarter
 means the percentage change in adjusted personal income for the
 particular state fiscal quarter as determined under section 3.5(c)
 of this chapter.**

"State personal income" means state personal income as that term
 is defined by the Bureau of Economic Analysis of the United States
 Department of Commerce or its successor agency.

"Total state general fund revenue" for a particular state fiscal year
 means the amount of that revenue for the particular state fiscal year as
 finally determined by the auditor of state.

"Transfer payments" means transfer payments as that term is
 defined by the Bureau of Economic Analysis of the United States
 Department of Commerce or its successor agency.

SECTION 2. IC 4-10-18-3 IS AMENDED TO READ AS
 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) **For** each
calendar year, the budget director shall determine the **annual** adjusted
 personal income, and the annual growth rate, for Indiana.

(b) The budget director shall determine the **annual** adjusted
 personal income for a particular calendar year in the following manner:

STEP ONE: Calculate the average implicit price deflator for the
 gross national product for the state fiscal year ending in that
 calendar year by totaling the implicit price deflator for the gross
 national product for each quarter of the state fiscal year and
 dividing that total by four (4).

STEP TWO: Calculate the remainder of the total state personal
 income for the calendar year minus any transfer payments made
 in Indiana for the calendar year.

STEP THREE: Calculate the quotient of the result of STEP TWO
 divided by the result of STEP ONE.

STEP FOUR: Calculate the product of one hundred (100)
 multiplied by the result of STEP THREE. This product is the
 adjusted personal income for the particular calendar year.

(c) The annual growth rate for a particular calendar year equals the
 quotient of:

(1) the remainder of:

(A) the **annual** adjusted personal income for the particular

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calendar year; minus

(B) the **annual** adjusted personal income for the calendar year immediately preceding the particular calendar year; divided by (2) the **annual** adjusted personal income for the calendar year immediately preceding the particular calendar year. The annual growth rate shall be expressed as a percentage and shall be rounded to the nearest one-tenth of one percent (.1%).

(d) If the Bureau of Economic Analysis of the United States Department of Commerce, or its successor agency, changes the base year on which it calculates the implicit price deflator for the gross national product, the budget director shall adjust the implicit price deflator for the gross national product used in making the calculation in subsection (b) to compensate for that change in the base year.

SECTION 3. IC 4-10-18-3.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 3.5. (a) For each state fiscal quarter, the budget director shall determine the quarterly adjusted personal income and the quarterly growth rate for Indiana.**

(b) The budget director shall determine the quarterly adjusted personal income for a particular state fiscal quarter in the following manner:

STEP ONE: Determine the implicit price deflator for the gross national product for the state fiscal quarter.

STEP TWO: Calculate the remainder of the total state personal income for the state fiscal quarter minus any transfer payments made in Indiana for the state fiscal quarter.

STEP THREE: Calculate the quotient of the result of STEP TWO divided by the result of STEP ONE.

STEP FOUR: Calculate the product of one hundred (100) multiplied by the result of STEP THREE. This product is the adjusted personal income for the particular state fiscal quarter.

(c) The quarterly growth rate for a particular state fiscal quarter equals the quotient of:

(1) the remainder of:

(A) the quarterly adjusted personal income for the particular state fiscal quarter; minus

(B) the quarterly adjusted personal income for the state fiscal quarter immediately preceding the particular state fiscal quarter; divided by

(2) the quarterly adjusted personal income for the state fiscal

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1 quarter immediately preceding the particular state fiscal
2 quarter.

3 The quarterly growth rate shall be expressed as a percentage and
4 shall be rounded to the nearest one-tenth of one percent (.1%).

5 (d) If the Bureau of Economic Analysis of the United States
6 Department of Commerce or its successor agency changes the base
7 year on which it calculates the implicit price deflator for the gross
8 national product, the budget director shall adjust the implicit price
9 deflator for the gross national product used in making the
10 calculation in subsection (b) to compensate for that change in the
11 base year.

12 SECTION 4. IC 4-10-18-4 IS AMENDED TO READ AS
13 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 4. (a) If the annual
14 growth rate for the calendar year preceding the current calendar year
15 exceeds two percent (2%), there is appropriated to the fund from the
16 state general fund, for the state fiscal year beginning in the current
17 calendar year, an amount equal to the product of:

18 (1) the total state general fund revenues for the state fiscal year
19 ending in the current calendar year; multiplied by

20 (2) the remainder of:

21 (A) the annual growth rate for the calendar year preceding the
22 current calendar year; minus

23 (B) two percent (2%).

24 (b) If the ~~annual~~ **quarterly** growth rate for the ~~calendar year~~
25 **immediately preceding** the current calendar year state fiscal quarter
26 is:

27 (1) ~~less than a negative two percent (-2%); the quarterly growth~~
28 ~~rate for the state fiscal quarter immediately preceding the~~
29 ~~current state fiscal quarter but is not a negative growth rate,~~
30 there is appropriated from the fund to the state general fund, for
31 the state fiscal year beginning in the current calendar year;
32 **quarter immediately following the current state fiscal quarter,**
33 an amount equal to the product of:

34 ~~(1) (A) the total state general fund revenues for the current~~
35 ~~state fiscal year ending in the current calendar year; quarter;~~
36 multiplied by

37 ~~(2) negative one (-1); and further multiplied by (3) the~~
38 ~~remainder of: (A) the annual growth rate for the calendar year~~
39 ~~preceding the current calendar year; minus (B) negative two~~

40 ~~(B) five percent (-2%); (5%);~~

41 (2) **less than the quarterly growth rate for the state fiscal**
42 **quarter immediately preceding the current state fiscal**



quarter and is a negative growth rate, there is appropriated from the fund to the state general fund, for the state fiscal quarter immediately following the current state fiscal quarter, an amount equal to the product of:

(A) the total state general fund revenues for the current state fiscal quarter; multiplied by

(B) fifteen percent (15%); or

(3) greater than or equal to the quarterly growth rate for the state fiscal quarter immediately preceding the current state fiscal quarter, there is appropriated from the fund to the state general fund, for the state fiscal quarter immediately following the current state fiscal quarter, an amount equal to zero (0).

SECTION 5. IC 4-10-18-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 5. (a) As soon as the auditor of state makes a final determination of the amount of total state general fund revenues for a particular state fiscal year **or particular state fiscal quarter, he the auditor** shall certify that amount to the budget director.

(b) ~~As soon as possible~~ After receiving the certification from the auditor of state under subsection (a), the budget director shall **immediately** determine the amount, if any, that is appropriated into **the fund for a particular state fiscal year** or out of the fund **for a particular state fiscal quarter** under section 4 of this chapter. If an appropriation is made into the fund **for a particular state fiscal year** under section ~~4~~ **4(a)** of this chapter, the budget director shall immediately certify that amount to the treasurer of state. If an appropriation is made out of the fund **for a particular state fiscal quarter** under section ~~4~~ **4(b)** of this chapter, the budget director shall **immediately** certify to the treasurer of state an amount equal to ~~the part of the appropriation if any, by which the general fund general operating budget, for the state fiscal year for which the appropriation is made, exceeds the budget director's estimate of the total general fund revenues determined under section 4(b) of this chapter~~ for that same state fiscal year. ~~The budget director shall make the certification or certifications of money to be transferred out of the fund at the time or times that he determines the general fund general operating budget would exceed the total estimated state general fund revenues: quarter.~~

(c) Immediately upon receiving a certification from the budget director under subsection (b), the auditor of state and treasurer of state shall make the appropriate transfer into or out of the fund.

~~(d) Any amount, which is appropriated out of the fund under section~~



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4 of this chapter, but which has not been transferred out of the fund under this section at the end of the state fiscal year for which the appropriation is made, shall revert to the fund.

SECTION 6. IC 4-10-18-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6. (a) In each budget report prepared in a current calendar year under IC 4-12-1-9, the state budget agency shall include a statement of the actual or estimated transfers made into or out of the fund under this chapter for each state fiscal year **and each state fiscal quarter** included in the report.

(b) In each budget report prepared under IC 4-12-1-12(a) or (c), the state budget agency shall include a final estimate of the transfers that were estimated under subsection (a).

SECTION 7. IC 4-10-18-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 8. (a) Except as provided in subsection (b), if the balance, at the end of a state fiscal year, in the fund exceeds ~~seven~~ **fourteen** percent (~~7%~~) (**14%**) of the total state general fund revenues for that state fiscal year, the excess is appropriated from the fund to the property tax replacement fund established under IC 6-1.1-21. The auditor of state and the treasurer of state shall transfer the amount so appropriated from the fund to the property tax replacement fund during the immediately following state fiscal year.

(b) If ~~an appropriation is one (1) or more appropriations are~~ made out of the fund under section ~~4~~ **4(b)** of this chapter for a state fiscal year during which a transfer is to be made from the fund to the property tax replacement fund **under this section**, the amount of the appropriation made under subsection (a) shall be reduced by the amount of the ~~appropriation~~ **appropriations** made under section ~~4~~ **4(b)** of this chapter. However, the amount of the appropriation made under subsection (a) may not be reduced to less than zero (0).

SECTION 8. [EFFECTIVE JULY 1, 2002] (a) **As used in this SECTION, "fund" means the counter-cyclical revenue and economic stabilization fund established under IC 4-10-18-2.**

(b) **Notwithstanding IC 4-10-18-3.5, as added by this act, the budget director shall first determine the quarterly growth rate, as required under IC 4-10-18-3.5(c), as added by this act, for the state fiscal quarter ending June 30, 2002.**

(c) **Notwithstanding IC 4-10-18-5(b), as amended by this act, the budget director shall first determine the amount, if any, to be appropriated from the fund to the state general fund under IC 4-10-18-4(b), as amended by this act, for the state fiscal quarter ending December 31, 2002, based on the quarterly growth rates for**



- 1 the state fiscal quarters ending June 30, 2002, and September 30,
- 2 2002.
- 3 (d) This SECTION expires December 31, 2003.

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